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**WAC 458-20-104 Small business tax relief based on ((volume)) income of business.** (1) **Introduction.** This rule explains the business and occupation (B&O) tax credit for small businesses ((B&O tax credit)) provided by ((+)) RCW 82.04.4451((+, and)). This credit is commonly referred to as the small business B&O tax credit or small business credit (SBC). The amount of small business B&O tax credit available on a tax return can increase or decrease, depending on the reporting frequency of the account and the net B&O tax liability for that return. This rule also explains the public utility tax income exemption provided by ((+)) RCW 82.16.040((+)). The public utility tax exemption is a fixed amount, or threshold, based on the reporting frequency assigned to the account. ~~The amount of small business B&O tax credit available on a return can increase or decrease, depending on the reporting frequency of the account and the net B&O tax liability for that return.~~ Readers should refer to WAC 458-20-22801 (Tax reporting frequency -- Forms) for an explanation of how the department of revenue (department) assigns a particular reporting frequency to each account. Readers may also want to refer to WAC 458-20-101 for an explanation of Washington's tax registration and tax reporting requirements.

This rule provides examples that identify a number of facts and then state a conclusion regarding the applicability of the income exemption for the public utility tax or small business B&O tax credit. These examples should be used only as a general guide. The tax results of other situations must be determined after a review of all facts and circumstances.

(2) **The public utility tax income exemption.** Persons subject to public utility tax (PUT) are exempt from payment of this tax for any reporting period in which the gross taxable amount reported under the combined total of all public utility tax classifications does not equal or exceed the maximum exemption for the assigned reporting period. The public utility tax exemption amounts are:

<u>for taxpayers</u>	<u>\$ 2,000</u>
<u>reporting monthly . . .</u>	<u>per month</u>
<u>.</u>	
<u>for taxpayers</u>	<u>\$ 6,000</u>
<u>reporting quarterly .</u>	<u>per</u>
<u>. . .</u>	<u>quarter</u>

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for taxpayers                      \$ 24,000 per  
reporting annually . .      annum  
.

(a) What if the taxable income equals or exceeds the maximum exemption? If the taxable income for a reporting period equals or exceeds the maximum exemption, tax must be remitted on the full taxable amount.

(b) How does the exemption apply if a business does not operate for the entire tax reporting period? The public utility tax maximum exemptions apply to the entire tax reporting period, even though the business may not have operated during the entire period.

(c) Do taxable amounts for B&O tax or other taxes affect this exemption? The public utility tax exemption is not affected by taxable amounts reported in the B&O tax section or any of the other tax sections of the tax return.

(d) Example. Taxpayer registers with the department and is assigned a quarterly tax reporting frequency. Taxpayer begins business activities on February 1st. During the two months of the first quarter that the taxpayer is in business, taxpayer's public utility gross income is seven thousand dollars. After deductions provided by Chapter 82.16 RCW (Public Utility Tax) are computed, the total taxable amount is five thousand dollars. In this case, the taxpayer does not owe any public utility tax because the taxable amount of five thousand dollars is less than the six thousand dollar exemption threshold for quarterly taxpayers. The fact that the taxpayer was in business during only two months out of the three months in the quarter has no effect on the threshold amount. However, if there were no deductions available to the taxpayer, the taxable amount would have been seven thousand dollars. The public utility tax would then have been due on the full taxable amount of seven thousand dollars.

((2)) (3) The small business B&O tax credit. Persons subject to the B&O tax may be eligible to claim a small business B&O tax credit against the amount of B&O tax otherwise due. The small business B&O tax credit operates completely independent of the ((volume)) public utility tax exemption ((which applies to the public utility tax)) described above in subsection (2). RCW 82.04.4451 authorizes the department ((of revenue)) to create a tax credit table ((to be used)) for use by all taxpayers when determining the amount of their small business B&O tax credit. Taxpayers ((are required to)) must use the tax credit table to

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determine the appropriate amount of their small business B&O tax credit. A tax credit table for each of the monthly, quarterly, and annual reporting frequencies is provided in subsection (7) of this rule ~~((See subsection (5) of this section))~~. ~~((As required by statute, the table has been prepared in such a manner that no taxpayer owes a greater amount of tax by using the mandatory table than would have been owed by using the statutory credit formula.))~~ The statute provides that taxpayers who use the tables will not owe any more tax than if they used the statutory credit formula to determine the amount of the credit.

(a) **How is the credit applied if a business does not operate during the entire tax reporting period?** The small business B&O tax credit applies to the entire reporting period, even though the business may not have been operating during the entire period.

(b) **Can a husband and wife both take the credit?** ~~((Taxpayers who are spouses that operate))~~ Spouses operating distinct and separate businesses are each eligible for the small business B&O tax credit. For both to qualify, each must have a separate tax reporting number and file their own business tax returns.

(c) **How do I determine the amount of the credit?** Taxpayers ~~((who are))~~ eligible for the small business B&O tax credit ~~((should))~~ must follow the steps outlined in subsection ~~((+4))~~ (5) of this ~~((section))~~ rule to ~~((find))~~ determine the amount of credit available ~~((to them))~~. Taxpayers who have other B&O tax credits to apply on a tax return, in addition to the small business B&O tax credit, may ~~((need to refer to))~~ use the multiple ~~((business and occupation))~~ B&O tax credit worksheet in subsection ~~((+3))~~ (4) of this ~~((section))~~ rule before determining the amount of small business B&O tax credit available ~~((to them))~~. Subsection ~~((+5))~~ (7) of this ~~((section))~~ rule contains the tax credit tables ~~((for taxpayers with assigned reporting frequencies of either))~~ that correspond with the monthly, quarterly, ~~((or))~~ and annual reporting frequencies.

(d) **Can I carryover the small business B&O tax credit to future tax reporting periods?** Use of the small business B&O tax credit may not result in a B&O tax liability of less than zero, and thus there will be no unused credit.

(e) **Do I have to report and pay retail sales tax even if I do not owe any B&O tax?** Persons making retail sales must collect and pay all applicable retail sales taxes even if B&O tax is not due. There is no comparable retail sales tax exemption.

~~((+3))~~ (4) Multiple business and occupation tax credit

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**worksheet.** The small business B&O tax credit should be computed after claiming any other B&O tax credits available under ~~((chapter 82.04 RCW (Business and occupation tax), but prior to any B&O tax credits provided under other chapters of))~~ Title 82 RCW (Excise taxes). ~~((For example,))~~ Examples of other B&O tax credits to be taken before computing the small business B&O tax credit include the multiple activities tax credit, high technology credit, ((and ride share)) commute trip reduction credit ((should be taken before the small business credit is determined and applied, but the)), pollution control credit, and cogeneration fee credit ((should be taken only after the small business credit has been applied. Proper application of the small business credit may never result in a B&O tax liability less than zero and cannot create a carryover amount for future periods)). The following multiple B&O tax credit worksheet ~~((gives taxpayers an example of))~~ describes the process ((they)) taxpayers ((should)) must follow to ((ensure that)) apply credits ((are applied)) in the ((necessary)) appropriate order. Refer to subsection (6) of this rule for an example illustrating the use of the multiple B&O tax credit worksheet.

MULTIPLE B&O TAX CREDIT WORKSHEET

1. Determine the total Business and Occupation (B&O) tax due from the \$  
B&O section of your ~~((Combined))~~  
~~((F))~~ excise ~~((T))~~ tax ~~((R))~~  
return.
  
2. Add together the credit amounts taken for:
 

Multiple Activities Tax  
Credit \$  
~~((F))~~ from Schedule C (if  
applicable).  
 (Add any other B&O tax  
credits  
from ~~((chapter 82.04))~~ Title + \$  
82 RCW that will be applied  
to this return period.)  
 Total (Enter 0 if none of ->  
 these credits are being \$  
 taken.)
  
3. Subtract line 2 from line 1. This \$  
is the total B&O tax allowable for \$

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the Small Business Credit.

4. Find the tax credit table which matches the reporting frequency assigned to the account, then find the total B&O tax due amount which includes your figure from item 3, above.
5. Read across to the next column. This is the amount of the Small Business Credit to be \$  
used on the ((Combined))  
((E)) excise ((T)) tax ((R)) return.

~~((a) For example, ABC Manufacturing and Distributing has been assigned a quarterly reporting frequency. During one quarter, ABC owes one hundred ninety dollars in wholesaling B&O tax, plus another seventy dollars in manufacturing B&O tax, for a total B&O tax due of two hundred sixty dollars. ABC qualifies for a multiple activities tax credit (MATC) and completes a Schedule C which identifies a MATC of seventy dollars. The MATC is one of the credits from (( )) Title 82 (( )) RCW and should be subtracted from the B&O tax due amount before referring to the small business tax credit table. Using the worksheet, line one for ABC is the two hundred sixty dollars of total B&O tax due. Line two is the total of B&O credits available, in this case the MATC, and equals seventy dollars. Line three directs that the seventy dollars of B&O credits should be subtracted from the original two hundred sixty dollars of B&O taxes due, which leaves one hundred ninety dollars of B&O taxes potentially available for application of the small business credit (subsections (4) and (5) of this section).))~~

~~((4))~~ **(5) Using the tax credit table to determine your small business B&O tax credit.** The following steps explain how to use the small business B&O tax credit table:

(a) **Step one.** Determine the total B&O tax amount due from the ((combined)) excise tax return. This amount will normally be the total of the tax amounts due calculated for each classification in the B&O tax section of the ((combined)) excise tax return. However, if additional B&O tax credits will be taken on the return, refer to subsection ((3)) **(4)** of this ((section)) rule and the multiple B&O tax credit worksheet before going to step ((b)) **two**.

(b) **Step two.** Find the small business B&O tax credit table that matches the assigned reporting frequency (i.e., the monthly table shown in subsection ((5)(a)) **(7)(b)** of this ((section))

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rule, the quarterly table in subsection ~~((5)(b))~~ (7)(c) of this ~~((section))~~ rule, or the annual table in subsection ~~((5)(e))~~ (7)(d) of this ~~((section))~~ rule.

(c) **Step three.** Find the "If Your Total Business and Occupation Tax is" column of the tax credit table and come down the column until you find the range of amounts which includes the total B&O tax due figure obtained from the ~~((combined))~~ excise tax return or multiple B&O tax credit worksheet.

(d) **Step four.** Read across to the "Your Small Business Credit is" column. The figure shown is the amount of the small business B&O tax credit that can be claimed on the "Small Business B&O Tax Credit" line in the "Credits" section of the ~~((combined))~~ excise tax return.

~~((e) For example, continue with ABC Manufacturing and Distribution which was introduced in subsection (3) (a) of this section. After completing the multiple B&O tax credit worksheet, ABC had one hundred and ninety dollars of B&O tax liability left for potential application of the small business credit. ABC refers to the quarterly small business tax credit table (subsection (5) (b) of this section) and finds the "If Your Total Business and Occupation Tax is" column. Following down that column, ABC finds the tax range of one hundred eighty six to one hundred ninety one dollars and comes over to the "Your Small Business Credit is" column which shows that a credit in the amount of twenty five dollars is available. This credit amount should be entered in the "Credits" section of ABC's combined excise tax return before calculating the total tax due for that return.))~~

(6) **Example.** ABC reports quarterly. This quarter, ABC reports one hundred ninety dollars under the wholesaling classification and seventy dollars under the manufacturing classification for a total B&O tax liability of two hundred sixty dollars. ABC completes Schedule C, and determines it is entitled to a multiple activities tax credit (MATC) of seventy dollars. Using the Multiple B&O Tax Credit Worksheet, ABC enters two hundred sixty dollars on line one, enters seventy dollars on line two, and enters one hundred ninety dollars on line three (line two subtracted from line one). Line three, one hundred ninety dollars is the total B&O tax. ABC will use this amount to determine whether it is eligible for a small business B&O tax credit.

~~((5))~~ (7) **Tax credit tables.** Corresponding tax credit tables for the monthly, quarterly, and annual reporting frequencies appear below. Taxpayers must use the tax credit

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table that corresponds to their assigned reporting frequency to determine the correct amount of small business B&O tax credit available ~~((to them))~~. ~~((The monthly, quarterly and annual reporting frequencies each have their own corresponding tax credit table. Taxpayers must be careful to use the table that matches their assigned reporting frequency.))~~

**(a) Example illustrating the use of the small business B&O tax credit tables.** The facts are the same as in the previous example in subsection (6). After completing the multiple B&O tax credit worksheet, ABC has one hundred ninety dollars of B&O tax liability left for potential application of the small business B&O tax credit. ABC refers to the quarterly small business B&O tax credit table, which is located below in subsection (7)(c), and finds the "If Your Total Business and Occupation Tax is" column. Following down that column, ABC finds the tax range of one hundred eighty six to one hundred ninety one dollars and comes over to the "Your Small Business Credit is" column, which shows that a credit in the amount of twenty-five dollars is available. Before calculating the total amount due for the tax return, ABC enters its small business B&O tax credit of twenty-five dollars in the "Credits" section.

~~((a) Small business credit table for MONTHLY reporting frequency:))~~ **(b) Monthly filers.** Persons assigned a monthly reporting frequency must use the following table to determine if they are eligible for a small business B&O tax credit.

If Your Total Business and Occupation Tax is:		Your Small Business Credit is:
At Least	But Less Than	
\$0	\$36	The Amount of Business and Occupation Tax Due
\$36	\$41	\$35
\$41	\$46	\$30
\$46	\$51	\$25
\$51	\$56	\$20
\$56	\$61	\$15



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\$61	\$66	\$10
\$66	\$71	\$5
\$71	or more	\$0

~~((b) Small business credit table for QUARTERLY reporting frequency:))~~ (c) **Quarterly filers.** Persons assigned a quarterly reporting frequency must use the following table to determine if they are eligible for a small business B&O tax credit.

If Your Total Business and Occupation Tax is:		Your Small Business Credit is:
At least	But Less Than	
\$0	\$106	The Amount of Business and Occupation Tax Due
\$106	\$111	\$105
\$111	\$116	\$100
\$116	\$121	\$95
\$121	\$126	\$90
\$126	\$131	\$85
\$131	\$136	\$80
\$136	\$141	\$75
\$141	\$146	\$70
\$146	\$151	\$65
\$151	\$156	\$60
\$156	\$161	\$55
\$161	\$166	\$50
\$166	\$171	\$45
\$171	\$176	\$40
\$176	\$181	\$35
\$181	\$186	\$30
\$186	\$191	\$25
\$191	\$196	\$20
\$196	\$201	\$15



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\$201	\$206	\$10
\$206	\$211	\$5
\$211	or more	\$0

~~((c) Small business credit table for ANNUAL reporting frequency:))~~ (d) **Annual filers.** Persons assigned an annual reporting frequency must use the following table to determine if they are eligible for a small business B&O tax credit.

If Your Total Business and Occupation Tax is:		Your Small Business Credit is:
At Least	But Less Than	
\$0	\$421	The Amount of Business and Occupation Tax Due
\$421	\$426	\$420
\$426	\$431	\$415
\$431	\$436	\$410
\$436	\$441	\$405
\$441	\$446	\$400
\$446	\$451	\$395
\$451	\$456	\$390
\$456	\$461	\$385
\$461	\$466	\$380
\$466	\$471	\$375
\$471	\$476	\$370
\$476	\$481	\$365
\$481	\$486	\$360
\$486	\$491	\$355
\$491	\$496	\$350
\$496	\$501	\$345
\$501	\$506	\$340
\$506	\$511	\$335
\$511	\$516	\$330

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\$516	\$521	\$325
\$521	\$526	\$320
\$526	\$531	\$315
\$531	\$536	\$310
\$536	\$541	\$305
\$541	\$546	\$300
\$546	\$551	\$295
\$551	\$556	\$290
\$556	\$561	\$285
\$561	\$566	\$280
\$566	\$571	\$275
\$571	\$576	\$270
\$576	\$581	\$265
\$581	\$586	\$260
\$586	\$591	\$255
\$591	\$596	\$250
\$596	\$601	\$245
\$601	\$606	\$240
\$606	\$611	\$235
\$611	\$616	\$230
\$616	\$621	\$225
\$621	\$626	\$220
\$626	\$631	\$215
\$631	\$636	\$210
\$636	\$641	\$205
\$641	\$646	\$200
\$646	\$651	\$195
\$651	\$656	\$190
\$656	\$661	\$185
\$661	\$666	\$180
\$666	\$671	\$175
\$671	\$676	\$170
\$676	\$681	\$165
\$681	\$686	\$160
\$686	\$691	\$155
\$691	\$696	\$150

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\$696	\$701	\$145
\$701	\$706	\$140
\$706	\$711	\$135
\$711	\$716	\$130
\$716	\$721	\$125
\$721	\$726	\$120
\$726	\$731	\$115
\$731	\$736	\$110
\$736	\$741	\$105
\$741	\$746	\$100
\$746	\$751	\$95
\$751	\$756	\$90
\$756	\$761	\$85
\$761	\$766	\$80
\$766	\$771	\$75
\$771	\$776	\$70
\$776	\$781	\$65
\$781	\$786	\$60
\$786	\$791	\$55
\$791	\$796	\$50
\$796	\$801	\$45
\$801	\$806	\$40
\$806	\$811	\$35
\$811	\$816	\$30
\$816	\$821	\$25
\$821	\$826	\$20
\$826	\$831	\$15
\$831	\$836	\$10
\$836	\$841	\$5
\$841	or more	\$0

~~((6) Retail sales tax must be reported. Persons making retail sales must collect and pay all applicable retail sales taxes even if B&O tax is not due. There is no small business tax credit or volume of business exemption for retail sales tax.))~~

~~((7) The public utility tax income exemption. Persons subject to public utility tax are exempt from payment of this tax~~

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~~for any reporting period in which the gross taxable amount reported under the combined total of all public utility tax classifications does not equal or exceed the maximum exemption for the assigned reporting period. Effective July 1, 1996, the public utility tax exemption amounts stated in RCW 82.16.040 were increased to:~~

<del>Monthly reporting</del>	<del>\$ 2,000 per</del>
<del>basis . . . . .</del>	<del>month</del>
<del>. . . . .</del>	
<del>Quarterly reporting</del>	<del>\$ 6,000 per</del>
<del>basis . . . . .</del>	<del>quarter</del>
<del>. . . . .</del>	
<del>Annual reporting</del>	<del>\$ 24,000 per</del>
<del>basis . . . . .</del>	<del>annum</del>
<del>. . . . .</del>	

~~—— (a) If the taxable amount for a reporting period equals or exceeds the maximum exemption, tax must be remitted on the full taxable amount.~~

~~—— (b) The public utility tax maximum exemptions apply to the entire reporting period, even though the business may not have operated during the entire period.~~

~~—— (c) The public utility tax exemption or threshold is not affected by the amounts reported in the B&O tax section or any of the other tax sections of the combined excise tax return.~~

~~—— (d) For example, assume that the DEF corporation registers and starts business activities on February 1st. A quarterly reporting frequency is assigned to DEF by the department of revenue. During the two months of the first quarter that DEF is actively in business, DEF's public utility tax gross is seven thousand dollars, but after deductions the total taxable amount is five thousand dollars. In this case, DEF does not owe any public utility tax because the taxable amount of five thousand dollars is less than the six thousand dollar threshold for quarterly taxpayers. The fact that DEF was in business during only two months out of the three months in the quarter has no effect on the threshold amount. However, if DEF had no deductions available, the taxable amount would be seven thousand dollars and public utility tax would be due on the full taxable amount.))~~